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SHORT TERM DECREASE SEEN FOR CANADIAN NATURAL GAS DELIVERABILITY

CALGARY — Deliverability of Canadian natural gas will decline by seven to 15 per cent during 2007 - 2009, says a National Energy Board (NEB) report released today.

The report, *Short-term Canadian Natural Gas Deliverability 2007-2009*, says gas deliverability will decrease from 483 million cubic metres per day (m^3/d) or 17.1 billion cubic feet per day (Bcf/d) at the end of 2006, to a lower range between 410 and 449 million m^3/d in 2009 (14.5 to 15.8 Bcf/d).

"The drilling pace that sustained Canadian natural gas deliverability is gone, for the moment," said National Energy Board Chair Gaétan Caron.

Most of Canada's natural gas resource lies in the Western Canada Sedimentary Basin (WCSB). In recent years, the average production from new wells in the WCSB has decreased gradually as the basin matures. High levels of new drilling and exploration activity driven by high demand and prices for natural gas helped maintain the overall production levels of natural gas, despite rising costs for drilling and exploration.

In mid-2006, drilling slowed down in the WCSB for several reasons: continued high costs including labour, the increasing Canadian dollar value affecting profit margins on U.S. exports, and stable, moderate natural gas prices reducing the return on investment. Another contributing factor is investment in oil and oil sands development, which competes for investment capital with natural gas drilling.

With less drilling, natural gas production is starting to decrease. The flow of conventional natural gas from the maturing WCSB is expected to decrease from an annual average of 458 million m^3/d (16.2 Bcf/d) for 2006 to 389 million m^3/d (13.7 Bcf/d) in 2009.

Ongoing drilling is increasingly focused on the deeper western side of the WCSB. This area requires more complex drilling that is more expensive, but, the potential for larger returns is high. Producers will continue to develop and improve their techniques to unlock the more challenging gas resources.

"We see cause for optimism as deeper drilling and improved techniques help producers deliver tighter gas from deeper wells," added Caron. "In the longer term, Canadians should rest assured that their natural gas needs will be met as other sources, such as unconventional gas, liquefied natural gas, or gas from frontier areas, enter Canada's energy market."

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Canada

Coalbed methane (CBM) is another positive story. The 2007 NEB report projects continued growth in CBM, though more moderately than 2003-2006, to approximately 23 million m^3/d (0.81 Bcf/d) by 2009 in the NEB reference case projection, up from 14.5 million m^3/d in 2006.

Canada is the world's third largest producer of natural gas, after Russia and the U.S. Natural gas exports from Canada were valued at $27 billion in 2006.

The NEB is an independent federal agency that regulates several parts of Canada's energy industry. Its purpose is to promote safety and security, environmental protection, and efficient energy infrastructure and markets in the Canadian public interest, within the mandate set by Parliament in the regulation of pipelines, energy development and trade. As part of its mandate the NEB monitors the supply of all energy commodities in Canada and publishes reports on energy, called Energy Market Assessments.

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This news release and the Energy Market Assessment *Short-term Canadian Natural Gas Deliverability 2007-2009* are available on the Board's Internet site at www.neb-one.gc.ca under *What's New*!

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For a copy of *Short-term Canadian Natural Gas Deliverability 2007-2009*:

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